

Memorandum

To: Oversight Committee
From: Creston Community School District
Representative Mike Reasoner
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Date: February 14, 2005
Re: Creston Medicaid Audit

Background Information

In September, 2003, Mary Gannon, Policy Services Director, Iowa Association of School Boards (IASB) contacted Creston Community School District to be part of a pilot program involving Medicaid. School districts typically run a budget deficit for special ed. services provided. The Department of Education (DOE) in conjunction with IASB saw a possible fix. The federal government through Medicaid offered reimbursement of specific services school districts provided to their special ed. students. The DOE estimated that 100 million federal dollars were available to districts state-wide with only two percent accessing those funds at that time. In addition, when federal funds were utilized, the state would keep 36 percent of the funds. A win-win situation. Schools receive money that doesn't come from the state and the state makes money on a program they neither fund or manage. The DOE estimated that districts could recoup approx. \$67 million.

In November, 2003, Creston personnel received training from Claim Aid in association with IASB via the ICN network. Creston taped the training. The training did not advise or recommend the use of any specific forms for record-keeping. At that meeting, Creston was introduced to Dann Stevens, the Department of Education Medicaid Program consultant.

In December, 2003 Creston submitted claims for Medicaid reimbursement. These claims, in the amount of \$155,859.97 were approved.

In April and May of 2004, Medicaid audited Creston CSD for the period of December 9, 2002 through December 19, 2003. The audit resulted in \$152,000 being disallowed. The primary reason for the disallowance was that Creston CSD did not utilize the particular record-keeping system preferred by the auditors. These auditors admit that Creston did provide the service. They contend that the District did not utilize the right forms and/or they were not filled out by the right person. The District notes that the forms did not exist at the time the claims were submitted and that neither the Department of Education nor the Department of Human Services told the District that it was mandatory that a specific person complete the forms.

Prior to the audit, in February, 2004, Dann Stevens traveled to Creston to review the "types of records" that Creston planned to submit. Specific records were not reviewed. On May 26, 2004, Don Krings, Creston's Business Manager received a phone call from ACS State

Healthcare, the Iowa Medicaid fiscal agent offering Creston the opportunity to supply additional documents. For example, Medicaid pointed out that a registered nurse had not participated in many of the IEP's (Individual Education Plan). Since the program allowed and encouraged filings for the period one year prior, Creston was at a loss. They could not place a nurse in an IEP that took place one year ago. Creston acknowledged the absence of a nurse. It is important to point out that the majority of the audit addresses claims that were originally retroactive, covering the time period one year prior. \$145,868.80 of the \$155,859.97 audit amount regards the time period one year prior.

At the same time that Creston made their first submission to Medicaid, the Department of Education shared recommended forms with IASB pilot project districts. These forms did not exist at the time of the IEP's which took place one year prior to the submission. These forms did not exist at the time of Creston's first submission to Medicaid.

When Creston received payment for the services claimed, as is their customary accounting practice the general fund deficit was reduced and the property tax rate was reduced. A reduction in property taxes results in money that the district does not receive and cannot reclaim after-the-fact. It's a double whammy when the state performs an audit and directs the District to return the money. The District is out both the Medicaid money and the property tax revenue.

In addition, Creston Community School District is the largest school in its area and as such offers special ed. services that smaller districts do not offer and cannot afford to offer. As a result, 14 surrounding districts send some of their special ed. children to Creston. When Creston received the Medicaid claim payment - those Districts in turn were reimbursed by Creston. Now, the question exists as to the effect of the order to reimburse the state. In other words, both the promise of Medicaid reimbursement and an audit that "takes it back" likely causes a ripple whose effect exceeds one district.

Creston's Questions

In addition to requiring nurse's at IEP's that occurred one year prior, and use of forms that didn't exist at the time the services were provided, the Medicaid audit team rejected Creston's submissions based on issues that lead to the following questions:

Definitions:

- Should records be kept on a daily or weekly basis? Ia. Administrative Code 441-79.3 does not specify.
- Where and how often should the name of the record keeper be noted? Ia. Administrative Code 441-79.3 does not specify who keeps the records - no forms existed prior to the audit.
- What is the definition of the Medicaid term - "licensed health care provider" as it regards the person ordering the service? Iowa Administrative Code 281-41.8 does not use the phrase "licensed health care provider";
- What is the definition of the Medicaid term, "develop", as it regards, "a licensed health

- care provider must ‘develop’ the plan”?
- Does Medicaid require multiple ‘licensed health care providers’ with regard to the ordering of specific services, i.e. a registered nurse or doctor must order medical services and psychologist must order behavioral services?

Forms

- Does Medicaid require that forms developed post-audit be used for services delivered pre-audit?
- Does Medicaid require forms be prepared contemporaneous to the delivery of services? Such a requirement will rule out the possibility of some claims as it will, in some circumstances, be either implausible, ineffective or inefficient.
- Does Medicaid require multiple forms be completed (fiscal and clinical) for each service? Such a requirement reflects the red-tape paper-glut of “government aid”.

Training

- Does the training aptly prepare the Districts to successfully make claims and obtain aid? Creston attended and implemented IASB training, Creston met with DOE to review procedures; DHS subsequently said, “you did it wrong.”

Audit Requirements

- What is the purpose of an audit? Aid compliance or minimize successful federally-funded claim pay-outs?
- Is it possible for an entity (ACS) that customarily uncovers doctors’ office fraud to aid and instruct districts how to properly and successfully maneuver the school Medicaid reimbursement program?

Summary

The State of Iowa has a 320 million dollar deficit. As part of the recruitment process the Department of Education told Creston the federal government has 100 million dollars set aside for school Medicaid. It is estimated that the Des Moines school district alone qualifies for 10 million dollars of those funds. The Department of Education along with IASB reports that one-half of the 160 school districts in Iowa have applied for a provider number and one-half of those districts have actually filed claims. Creston Community School District together with IASB seeks the assistance of the Oversight Committee in resolving the \$150,000 audit at issue in their district as well as clarification of the rules, terms and forms which comprise the program.